



FPL Energy.

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April 18, 2008

Mary Nichols, Chairwoman,
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: California Renewable Regulatory Policy and Legislative Reform Proposals of FPL Energy, LLC

Dear Chair Nichols:

Thank you for taking the time last week to meet with our team regarding FPL's position on climate change. As the nation's leader in renewable energy, FPL Group has looked to California to establish the framework for greenhouse gas emissions policies and is actively participating in the stakeholder process. We are especially aware of the challenges faced by the California Air Resources Board in the next year and will work to advocate policies that create beneficial solutions for both the electric sector and the citizens of California.

As you requested at our meeting, FPL Energy has prepared action items that, if enacted, will enhance the opportunities for renewable investment in California and aid in achieving the state's Renewable Portfolio Standard and climate change goals.

FPL Energy has developed these recommendations for California after numerous meetings with many stakeholders, including members of the Governor's Cabinet and staff, legislative officials, CPUC and CAISO members, and industry trade groups. Recommendations and suggestions from these people, combined with FPL Energy's expertise, resulted in the following specific recommendations to assist California meet its clean energy requirements as expeditiously as possible.

We look forward to assisting California in its quest to increase the amount of renewable energy produced and sold within the state. If you have any questions, do not hesitate to contact me or any of our team that you have met.

Sincerely,

TJ Tuscai
Senior Vice President
Business Management

cc: Kevin Kennedy
David Mehl
Lucille van Ommering

Robert Garvin
Ben Gilbert
Diane Fellman

John Dunlap
The Flanigan Law Firm

California Renewable Regulatory Policy and Legislative Reform Proposals
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Objective

Enact policies and legislation to jump-start renewable construction and operation in California and enable California to make demonstrable progress toward its 20%, and eventual 33%, renewable portfolio standard by 2010

Broaden Solar Policies to Large Scale Projects

- Create pricing policies that recognize solar specific economics
- Identify solar resource zones
 - Build transmission
 - Address environmental issues
- Extend solar property tax exemption (AB 1451)

Achieve RPS Compliance through Key Reforms

- Direct the CPUC within 90 days to establish viability standards starting with the 2008 RFO. Requirements would include commercial demonstration of technology, operational data, and significant credit and financial commitments of the project sponsors. Direct CPUC to initiate a separate process for emerging technologies and newly formed companies that have different requirements. This allows technology breakthroughs while attracting capital to invest in commercially available renewables.
- Initiate steps to remove the fossil-fuel based market price referent (MPR) as a guide to renewable energy reasonableness at the CPUC through legislative change in 2008. Direct the CPUC to establish—within 120 days—ranges of reasonable costs for energy products (such as peaker, baseload and intermittent) based on cost studies of different technologies and the results of competitive solicitations. Initiate steps to remove the price cap on renewable procurement levels through legislative change in 2008.
- Define existing penalties for failure to meet the current RPS goals. Establish higher penalties for RPS non-compliance, beginning in 2010 for both utilities and project sponsors.
- Select projects that are “best fit” to meet California’s RPS goals in the 2008 RFO process. Measure compliance by “megawatts delivered” NOT by “signed contracts”. Remove the current financial cap on total renewable spending by the LSEs through legislation in 2008..
- Establish a tradeable renewable energy credit (REC) market as currently pending before the CPUC.

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**Reform the Interconnection Queue Process to Allow Viable Projects
Access to the Transmission System**

- Support the CAISO's efforts to file at FERC for short term changes to the queue process in order to "clear the queue" and fast track viable wind and solar projects.
 - Impose greater financial deposits to enter and to maintain a queue position. Significantly increase the deposits from current \$10,000 level. Require escalating deposits and risk of loss as milestones are met. Consider graduated deposits to facilitate small projects.
 - Establish meaningful milestones—including land control—in order to provide clear path for viable projects to connect to the grid.
 - Provide transmission service that recognize the unique attributes of renewable energy on the system
- Support the CAISO's efforts to continue to pursue significant changes to the interconnection reform process, including network upgrade cost allocation and transmission planning that will facilitate developer cost certainty and transmission planning efficiency.

Build Essential Transmission for Renewable Resources

- Direct the RETI¹ process by December 31, 2008 to identify renewable resource transmission corridors to allow the development of sufficient renewables to meet the anticipated 33% renewable portfolio standard.
- Require the creation of targeted renewable resource zones where developers post significant credit towards both the development of the renewable transmission and their generation facility.
- Grant targeted and limited eminent domain rights to private parties if construction for an approved CAISO renewable transmission plan is not initiated within one year of CAISO approval.
- Assess use of state funds for infrastructure construction support

¹ Renewable Energy Transmission Initiative

